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To: <ugp2004rateadj@wapa.gov>
Date: Thu, Sep 11, 2003 1:37 PM
Subject: Mni Sose Coalition's Comments on Rate Adjustment

September 11, 2003

Robert J. Harris
Regional Manager
Upper Great Plains Region
Western Area Power Administration
2900 4th Avenue North
Billings, Montana 59101-1266

RE: Comments from the Mni Sose Intertribal Water Rights Coalition on the Proposed Rates for Pick-Sloan Missouri Basin Program-Eastern Division

Dear Mr. Harris:

Thank you for the opportunity to comment on the Proposed Rate Adjustment for the Pick-Sloan Missouri Basin Program-Eastern Division scheduled to go into effect January 1, 2004, and remain in effect through December 31, 2008. Numerous Indian Tribes have received allocations of power from the Pick-Sloan Missouri Basin Program-Eastern Division. Therefore, any rate adjustment will impact the Tribes' costs and benefits for their power allocations.

I understand the increase proposed by Western is largely due to the prolonged drought across the region and the resulting need to purchase power at market prices to meet contractual obligations. Rates are also increasing due to increases in operation and maintenance expenses due to inflation. I appreciate your efforts to keep costs to a minimum while providing reliable service.

Although most Tribes are not, at this time, able to receive power through utility status, some of the Tribes are considering formation of a utility which could eventually be a traditional Western customer. Until that time, Western has indicated that its preference for the delivery of power is a bill crediting arrangement under which Tribes designate certain customers' meters that will receive a credit. The amount of the credit to be applied to each bill is the amount of the difference between the Western wholesale power rate and the wholesale power rate of the Tribe's current service provider for the amount of power used by that customer. For each Tribe as a whole, the greater the difference between the Western rate and their existing wholesale power cost, the greater the tribal benefit. For this reason, *it is the Mni Sose Coalition's concern that Western's rates be kept as low as possible.*

The Mni Sose Coalition offers the following suggestion to keep rates lower for all customers. An option for decreasing power rates for all customers is to decrease the amount of purchased power. Western must pay a market rate for energy not generated by dams during drought years. These market rates increase the rates to all customers across the board. If Western could therefore lower the number of MWHs it must

purchase, all customer rates would decrease. Because tribal customers receive a benefit from their power allocation equal to only a portion of the Western firm power service rate, it would make sense for Western to simply offer to pay the Tribes a lump sum in the amount of the benefit they would have received from their power allocation in settlement for their agreement not to take their allocations in drought years. In this manner, Western avoids purchasing the amount of power that was allocated to the approving Tribes, and the Tribes still receive a benefit equal to the benefit of their power allocation. All tribal and other customers' rates are decreased for the term of the rate period as some purchase power costs are avoided.

If such as settlement is not offered, Western is in effect paying for non-utility tribal power at a purchased power rate and providing only a small fraction of that benefit to the non-utility tribal customers in the form of a bill credit. Such an offer could be made to Tribes on a year-by-year basis when it appears that purchase power needs will exceed tribal allocations. A simple addendum to tribal contracts could be used for each year a non-utility tribe agrees to forgo its allocation in exchange for a buy-out of its rights to an allocation. Reasonable restrictions could be placed on the use of the buy-out funds to assure Western that the intent of the allocations, to be used for local utility purposes, was met. For example funds, could be used only for improvement of tribal utility infrastructure, tribal utility training, or other electrical utility related purposes. An additional benefit is the unused transmission capacity not used to deliver tribal energy. The value of this capacity could be an additional value to both the Tribes and to Western.

In response to your request for comment on a one-step or two-step rate adjustment, it is the Mni Sose Coalition's feeling that a two-step adjustment, which provides a lower increase in earlier years and a slightly higher in later years may be a better strategy. In the event the drought years end, and better water is available in later years, it is possible rates could then be adjusted downward prior to the second increase.

Thank you for this opportunity to comment on the Pick-Sloan Missouri Basin Program-Eastern Division firm electric service rates. Please call me at (605) 343-6054 if you have any questions.

Sincerely,

Woody Corbine
Executive Director